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ABSTRACT

This introductory lesson on teaching economics concepts contains sections on the following: purpose; objectives; time; materials needed; and step-by-step classroom procedures. The focus is on the economic problem of scarcity and opportunity costs. Attached is an original skit, "There's no such thing as a free lunch," and a chart that outlines some economic propositions. (BT)

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Foundation for Teaching Economics

Introductory Lesson
(Begin Day One)
Lesson Plan

By Roland Lewin



2001

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Introductory Lesson (Begin Day One)

By Roland Lewin,
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Purpose: To help introduce the subject of economics, define "economics", and introduce the concept of opportunity cost.

Objectives: Students will discover the basic economic problem: scarcity; learn that "there is no such thing as a free lunch" (opportunity costs); and be able to define economics.

Time: one classroom period (approximately 55 minutes)

Materials: skit (see resource page); three different candy bars

Cast: King or Queen (student volunteer)
Leader of economists (student volunteer)
Narrator (teacher or student volunteer)
Nation's top economists (rest of class)

Procedures:

1. Tell students that they are about to see a story acted out from which they will learn all there is to know about economics.
2. Select 2-3 volunteers to read parts.
3. Perform skit. (see resource pages)
4. Tell students that the expression, "there is no such thing as a free lunch", explains all there is know about economics. Unfortunately, you have to understand the definition of economics to realize the significance of the phrase.
5. Write formal definition on board or overhead: "Study of how groups or nations allocate their limited (scarce) resources in which to satisfy their unlimited wants and needs."
6. Define and/or describe bold terms in formal definition:
 - o allocate: need to make decisions
 - o limited resources: land, labor, capital, entrepreneurship
 - o unlimited wants and needs: goods and services (define these terms)
7. Sum up the basic economic problem: scarcity--"not enough"

8. * Pass out Dr. Jim Charkins' handout (see below)

Comment on: scarcity

alternatives

choices--"choosing is refusing"

trade off (consequences)

9. ** To illustrate the basic economic problem and to demonstrate opportunity costs: Hold up three different candy bars.
- Ask: "who would like one of these?" (hopefully more than three hands will go up)
 - "Is there enough?" No--scarcity
 - "How should we allocate these?" solicit opinions (i.e. student with birthday closest to today or yours, pick a number, etc.), adopt a strategy, and
 - pick "winner", give them their first choice of candy bar
 - ask class if student received the candy bar for free (NO!)
 - ask "winner" what their second choice would have been, this, of course, represents what they gave up--the value (approx. \$0.50) is their opportunity cost.
 - repeat for other two candy bars. (third winner is not refusing anything--no choice--so it is free to them)
10. Ask some students what their opportunity cost is for being in class. Thank them for coming, then tell them yours.

(I have students write journals so the following would be their first journal entry):

- o What does the expression, "there is no such thing as a free lunch" mean? How does this expression define economics?
(Note: I tell students that these questions will be on their first test and on the final exam.)

* Adapted from activities demonstrated in FTE program. Available at the bottom of this page.

** Topic for discussion and/or writing

Skit: "There's no such thing as a free lunch"

By Roland Lewin
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(adapted from a story written in a textbook in the 1980's)

Narrator: Once upon a time there was this young man (woman), eighteen years old, who had just been appointed king (queen) of his (her) country. S/he was thinking about what was happening in the world:

- violence
- crime
- unemployment
- poverty
- unfair distribution of resources
- pollution
- schools lacking adequate resources
- unequal opportunity for education
- discrimination, racism
- expensive health care
- wars

Somehow s/he thought all this may relate to economics. So s/he assembled together all of the nation's top economists...

King/Queen: (*addressing class of top economists*) Ladies and gentlemen, I have heard that economics is all about how nations make decisions about how to allocate their scarce resources to satisfy their unlimited wants and needs. We all want our country and our world to be filled with people who are happy, healthy and prosperous. Is it possible that we have problems because we have made some bad decisions?

Since I will be the leader of this country, I want to know all there is to know about economics to enable me to make sound decisions. You (pointing to all of class) have been selected because you are the top economists of our country. Your job is to teach me all there is to know about economics. (with feeling) Can you do this? Is there one of who can act as spokesperson?

(*The leader stands and approaches the king/queen*)

Leader: Yes, your majesty. But we will need some time.

Narrator: The top economists formed committees and worked furiously towards their goal. They wrote down everything there was to know about economics. Ten years later they returned to the king/queen:

Leader: Your highness, here (point to the stack of textbooks that will soon be passed out to the class) is everything you wanted to know about economics in 30 volumes.

King/Queen: Thank you for your efforts, but we are in the midst of a great war. I don't have time to read 30 volumes, can you condense your work?

Narrator: The economists gasped in unison. (If your classmates don't take their cue, say: "I said the economists gasped in unison.") Nevertheless, the top economists returned to their work. Fifteen years later:

Leader: Your highness, here is everything you wanted to know about economics-in ten volumes.

King/Queen: Thank you for your efforts, but as you know our country has been rocked by an earthquake. I have to ensure the safety of our people. I don't have time to read ten volumes. Can you condense it?

Narrator: There were murmurs amongst the economists. Nevertheless the economists formed committees again. They persevered and ten years later...

Leader: Your highness, we have condensed everything you wanted to know about economics into (hold up one of the textbooks) one volume.

King/Queen: Thank you. However, there has just been a nuclear explosion. I don't have time to read even one volume. Can you condense it?

Narrator: Fifteen years later the economists returned once again...

Leader: Your highness, we have managed to condense everything there is to know about economics into one paper.

King/Queen: Thank you for your wonderful efforts. However, as you know, the country is in the midst of civil riots. I don't have time to read one paper. Can you condense it?

Narrator: Whispers of dismay emanated from the economists. Nevertheless, the economists went back to work on their project. Three years later they were summoned to visit the king/queen, who was on his/her deathbed.

King/Queen: Ladies and gentlemen, I still want to know everything there is to know about economics. As you can see I do not have much time left. Can you

condense everything there is to know about economics into one sentence?

Narrator: The room was filled with gasps, murmurs and whispers. The economists quickly huddled together. Almost as quickly, the leader emerged from the huddle and approached the king/queen.

Leader: Your highness, everything there is to know about economics can be reduced to this: THERE IS NO SUCH THING AS A FREE LUNCH.

King/Queen: I understand, thank you. (Now act out the death scene)

THE END

ECONOMIC REASONING AND ITS RELEVANCE FOR YOU

Jim Charkins

Economic Proposition	In English	Lesson for Life
Scarcity	You can't have everything you want.	Acceptance of scarcity will help you make more reasoned choices.
Alternatives	Different options from which you can choose.	There are many different ways to allocate resources and to solve problems.
Choice	Because you can't have everything you want, you have to make choices from a list of alternatives.	When policy-makers decide on a particular resource allocation, recognize that a choice had to be made due to scarcity. You may not like the alternative chosen, you may question the choice, but the villain is scarcity.
Trade-offs	Choices involve giving up something to get something. All choices have consequences, both positive and negative.	You are responsible for the consequences of your choices. Since you make choices, you can't be a victim.
Opportunity Cost	A resource can only be allocated to one thing at a time. The opportunity cost of deciding to do one thing is the next best alternative use of the resource.	All choices have opportunity costs. A good idea is only a good idea if its value is greater than the value of its opportunity cost. Voters must always identify the opportunity cost of a particular policy.
Benefit/Cost Analysis	Is it worth it? Are the positive aspects of the action greater than the negative aspects? Is it a "good deal?"	Analyzing positive and negative aspects of potential decisions forces you to think more carefully about your choices.
Comparative Benefit/Cost Analysis	Even if it is a good deal, is this the best deal? Is this the best use of limited resources?	Putting the decision in the context of all alternative uses of your resources helps you see your world in its completeness.
Marginal Benefit/Cost	OK, you've used all your resources. Now you get	The concept of the margin allows you to answer questions such as:

Analysis	some more. Where should they go so that you get the greatest additional benefit for every additional resource you use.	"How much school should I have?" "Should I buy the bigger stereo?" "How much should I study and how much TV should I watch? How much is too much, how much is not enough? Is this the straw that will break the camel's back?"
Sunk Costs	Regardless of how high the costs were in the past, the important question is whether future additional benefits are greater than future additional costs. Past costs are not relevant in the decision.	Concentrating on the future instead of the past allows you to work on what you can control as opposed to what you cannot control.